



Solano Community College District
Governing Board Special Study Session

“Anatomy Of A Budget”

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Budget

- An estimate of expected income and expense for a given period in the future.
- A plan of operation based upon such an estimate.
- Essential element of financial planning, control and evaluation process.
- Both a planning and management tool.
- Establishes priorities.
- Links short and long-range planning.
- Reflects what board believes is in the best interests of its communities and the future of the district.
- Adheres to other board policies.
- Political document.
- Dynamic document.

Anatomy

- Any Detailed Analysis
- An Analysis or Minute Examination
- Synonyms:

Investigation

Examination

Composition

Diagnosis

Framework

Analysis

Division



Major Terms and Concepts in a Budget Summary

- Beginning Balance
- Revenues
- Expenditures
- Transfers
- Unrestricted
- Restricted
- Reserves
- Projected Ending Balance





Benchmarks for Monitoring the Budget

- Revenues and financial commitments are projected far into the future.
- There are sufficient resources for planned expenditures.
- Fiscal and educational planning are linked.

- An adequate cash reserve level is defined.
- Plans are in place and funds are allocated for repair and replacement of equipment and facilities.
- A management information system exists that provides timely and accurate fiscal information.
- Fiscal policies and procedures are known and adhered to.
- Effective internal controls are in place and followed.



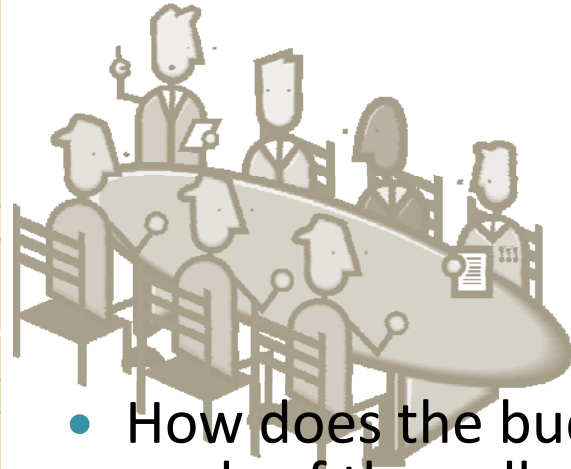
Benchmarks for Monitoring the Budget (Continued)

- Auxiliary activities (such as the foundation and bookstore) support the mission of the college and are fiscally accountable.
- Risks are assessed and a plan exists for fiscal emergencies.
- General fund balances or reserves to not drop below a specified limit.
- General fund balances are stable over the years.
- There is no deficit spending.
- Borrowing or transferring funds to meet cash flow needs is limited.
- Long-range salary, benefits, or debt commitments do not exceed projected revenues.



Benchmarks for Monitoring the Budget (Continued)

- Enrollment does not significantly decline over time.
- Staffing adjustments consistent with enrollment trends.
- Categorical, special, or restricted funds are not used to support general expenses.
- An actuarial calculation to determine unfunded retiree health benefit liability has been completed.



Budget Questions Often Asked By Boards

- How does the budget support the vision, mission and goals of the college?
- What are the assumptions used to build the budget? Have circumstances changed that would change the assumptions?
- Is it balanced? How is it balanced (with projected income, prior year-ending balance, one-time funds)?
- Are there significant changes from last year? What are they? Why are they proposed?
- What is the projected ending balance? Is it realistic?
- How large are the reserves? Are reserves being used to balance the budget? Are they adequate to cover long term liabilities? Will they cover fiscal extremes or unforeseen emergencies?



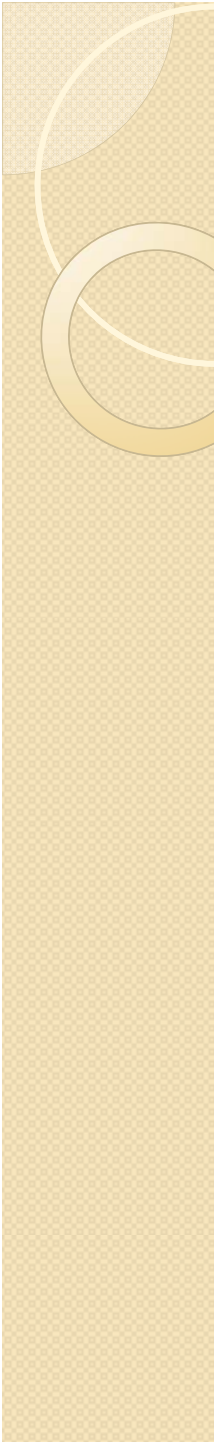
Ensure The Budget Does Not Contain These Problems....

- Unfunded liabilities.
- Unrestricted general fund balance drops below the 5 percent minimum prudent level.
- Long-term commitments that depend on optimistic revenues.
- Too much unfunded enrollment growth.
- Reductions in projected enrollment or revenue that are not accompanied by reductions in expenditures.
- Too large a percentage dedicated to salaries and benefits .
- Unrealistic projections of income.



Ensure The Budget Does Not Contain These Problems (Continued)

- Lack of planning for maintenance and upgrading of equipment or facilities.
- Lack of connection to long-range plans of the district.
- A decline or an abnormal increase in the projected ending balances over a number of years.
- Lack of clarity between restricted and unrestricted funds.



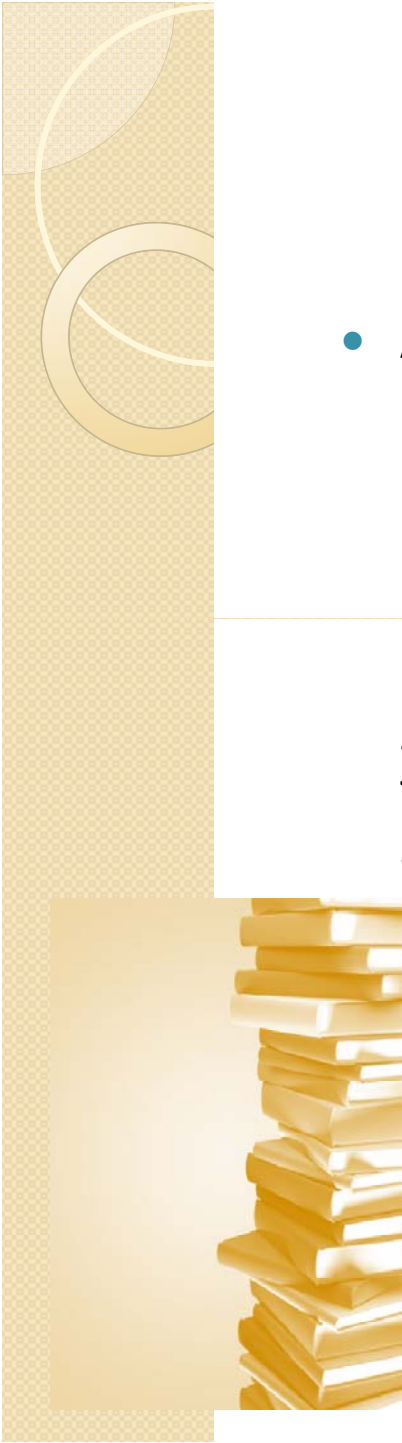
System Office Apportionments To Districts SB 361

- Basic allocation for each district, determined by the size of the district and number of colleges and centers - recognizes fixed cost.
- Equalized funding per FTES across all community college districts.
- Uniform funding rate for non-credit FTES.
- Career development and college preparation program for educationally disadvantaged residents (uniform per FTES rate).
- Growth cap incorporates additional factors of state unemployment, age-specific cohorts, and persistent instances of unfunded FTES.



Major Community College Revenue Sources

	Statewide	SCCD
State General Fund	57%	70%
Local Property Tax	26%	16%
Other Local Funds	5%	3%
Student Fees	4%	6%
Federal	3%	2%
Other State Funds	2%	1%



California Community Colleges Budget and Accounting Manual (BAM)

- **AUTHORITY:** The BAM which has the authority of regulation in accordance with Title 5 Section 59011 of the *California Code of Regulations* (CCR) is distributed as part of the Board of Governors' responsibility to define, establish, and maintain the budgeting and accounting structure and procedures for the California Community Colleges. This responsibility is defined in *California Education Code* (ECS) Section 70901. Each Community College District is required to follow this manual in accordance with ECS 84030, which states:

“The Accounting system, including the uniform fund structure used to record the financial affairs of any community college district, shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual....”

Detailed Expenditure Accounting

- Provides districts with a uniform method of recognizing and classifying expenditures
- Captures information that districts must report in various financial statements
- Facilitates district planning and budget preparation by providing historical information on costs of activities and programs





Account Code Structure (Chart of Accounts)

- Systematic classification scheme for describing transactions.
- Consistency and comparability requires precise descriptions of transaction elements.
- Revenue is classed by source and purpose
e.g. 8100 Federal Revenues;
8170 Vocational and Technical Education Act
- Expenditure classification is by object and by activity
Object classification relates to the commodity or service obtained, activity classification relates to the purpose of the expenditure.



Classification of Expenditures by Activity

- Reflects purpose of expenditure
- Operations that will benefit from the expenditure
- Instructional activities reported using the Taxonomy of Programs (TOP) coding mechanism

Budget Activity Descriptions

Program	Activity Codes	Description
Instruction	0100-5999	The direct cost of classroom instruction incurred in offering credit and non-credit courses approved by the State Chancellor's Office
Instructional Administration	6000	The direct cost of the first level of administration immediately above the instructor
Instructional Support	6100	The direct costs for services provided as supplement to the instruction area such as learning centers, libraries, media and museums and galleries.
Student Services	6200-6400	The direct costs associated with student support services including admissions and records, counseling and guidance and other student services.

Budget Activity Descriptions

Program	Activity Codes	Description
Operations & Maintenance	6500	The direct costs associated with the general operation and maintenance of buildings and grounds.
Planning & Policy Making	6600	The direct costs associated with the executive board-level management of the district and colleges including the Board of Trustees, Chancellor's Office, college presidents and their support operations.
Institutional Support	6700	The direct costs associated with the other activities of the district including community relations, fiscal operations, human resources and staff development.

District Cost By Activity Comparisons (7,000 to 11,000 FTES)



Allan Hancock – Santa Maria

Desert – Palm Desert

Hartnell - Salinas

Imperial - Imperial

Merced - Merced

Monterey Peninsula - Monterey

Mt. San Jacinto – San Jacinto

Napa Valley - Napa

Ohlone - Fremont

San Luis Obispo – San Luis Obispo

Sequoias - Visalia

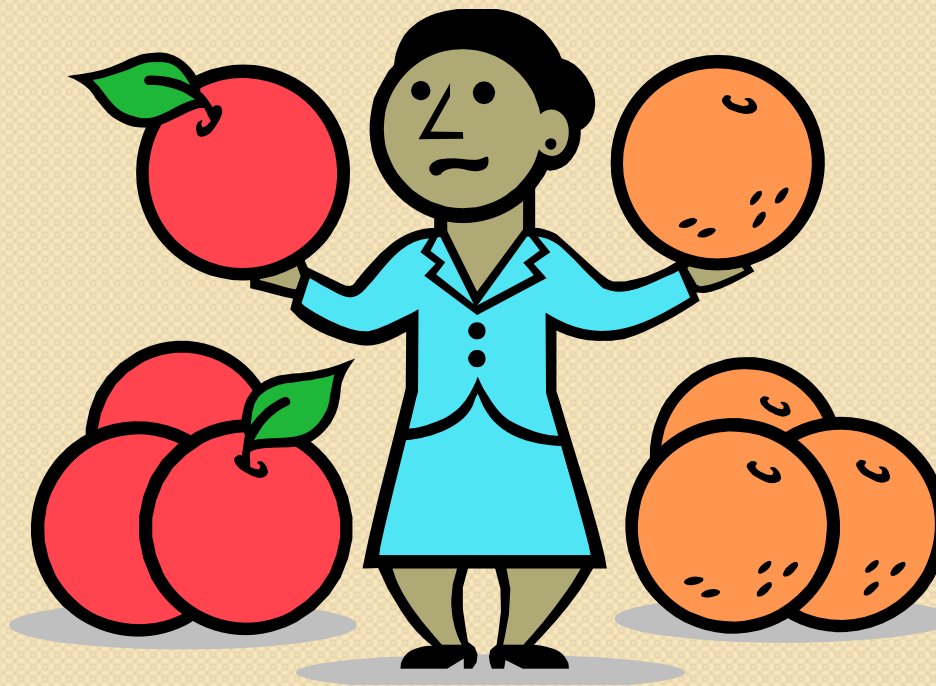
Shasta-Tehama-Trinity - Redding

Solano - Fairfield

Victor Valley - Victorville

District Comparisons By Activity

COMPARISON OF 14 DISTRICTS OF COMPARABLE SIZE
TO SOLANO – 7,000 TO 11,000 FTES





Classification of Expenditures by Object

- 1000 Academic Salaries
- 2000 Classified and Other Non-Academic Salaries
- 3000 Employee Benefits
- 4000 Supplies and Materials
- 5000 Other Operating Expenses and Services
- 6000 Capital Outlay
- 7000 Other Outgo

Banner Account Number Structure

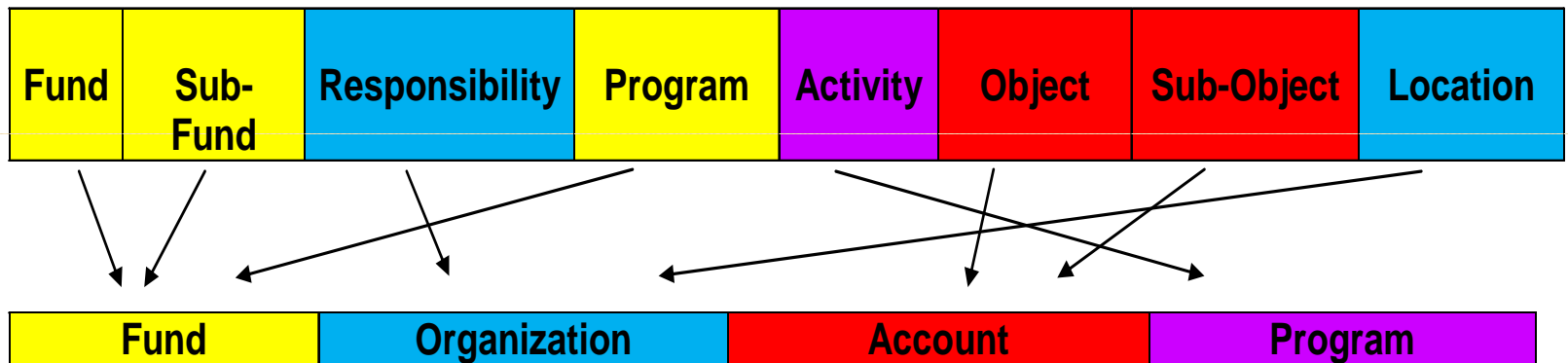
- The Account Number used by the District to identify revenues and expenditures is made up of several elements. Used together, the elements identify fund, cost center (organization), object (account), and TOP (program).
- The account structure under the Banner Finance System is made up of four elements:

FUND	Where is the money coming from?
ORGANIZATION	Department spending the money
ACCOUNT (Object)	What is the money being spent on?
PROGRAM (TOP)	Why are we spending it?

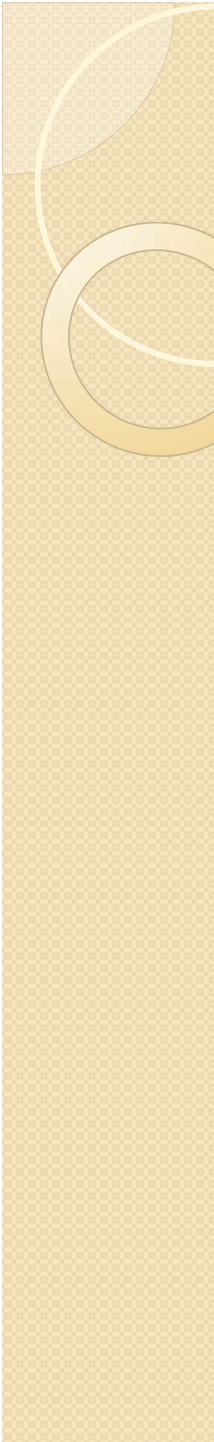
- The QSS Account Number was made up of seven elements. In order to convert QSS data to Banner data, a crosswalk table was developed. In the case of Fund and Organization several of the QSS elements were combined in order to equate to a single Banner element. The following is a general crosswalk table of QSS elements to Banner elements:

QSS to Banner

QSS



BANNER



Annual Financial Report

CCFS-311

- Summarizes and communicates the results of budgetary decisions and transactions.
- Statement of revenues and expenditures for fiscal year just completed, plus estimated revenues and proposed expenditures for the succeeding year.

Financial Reporting

- District Independent Audit (December 31)
- CCFS-311 (October 10)
- CCFS-311Q (Quarterly)
- Fiscal Data Abstract (Summary Report)
- Tentative Budget (June 30)
- Adoption Budget (September 15)

Questions/Comments

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